



*The Commonwealth of Massachusetts
Executive Office of Health and Human Services
Division of Health Care Finance and Policy
Two Boylston Street
Boston, MA 02116*

DEVAL L. PATRICK
Governor
TIMOTHY P. MURRAY
Lieutenant Governor

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www.mass.gov/dhcfp

JUDYANN BIGDY, M.D.
Secretary
SIBENA PERUMAL CARRINGTON
Acting Commissioner

May 27, 2011

Bart Alfano, MD, President
MetroWest Healthcare Alliance
115 Lincoln Street
Framingham, MA 01702

Dear Dr. Alfano:

The Division of Health Care Finance and Policy (DHCFP), in collaboration with the Office of the Attorney General (OAG), is required by state law to hold annual public hearings concerning health care provider and insurer costs and cost trends. (*See the public notice attached as "Exhibit A."*) Massachusetts General Law, chapter 118G §6½ requires DHCFP to identify a representative sample of health care providers and payers as witnesses for such hearing. In accordance with these provisions, MetroWest Healthcare Alliance has been identified as a witness and is hereby requested to submit written testimony to the questions in "Exhibit B" and "Exhibit C" in accordance with this notice and exhibits.

The goals of the questions in "Exhibit B" are to examine and verify the findings presented in DHCFP's preliminary reports located at www.mass.gov/dhcfp/costtrends. Specifically, DHCFP seeks to understand to what extent – if any – your organization's experience varies from the agency's findings, to solicit additional information that explains the identified trends, and to obtain your recommendations for short- and long-term solutions to increase the efficiency of the Massachusetts health care delivery system. Pursuant to its responsibilities and ongoing analyses of health care costs, the Office of the Attorney General has provided additional questions requiring written testimony in "Exhibit C."

While this testimony must be in writing, **you may also be called for oral testimony** on one or more of the hearing dates scheduled to take place on June 27, 28, 29, and 30, 2011.

With your assistance and active participation, DHCFP seeks to develop tangible policy recommendations to mitigate health care cost growth in Massachusetts and to facilitate a better integrated health care delivery system in a final report to the Legislature.

MetroWest Healthcare Alliance is required to:

1. electronically submit to DHCFP written testimony, signed under the pains and penalties of perjury, responding to the areas of inquiry identified on the attached "Exhibit B" and "Exhibit C" on or before – but no later than – close of business Wednesday, June 15, 2011; and
2. be prepared to appear at a public hearing to provide oral testimony at some time during, but not limited to, the following days: June 27, 28, 29, and 30, 2011.

The written testimony should be submitted to costtrends@hcf.state.ma.us. Any and all written testimony will be a public record and will be posted on DHCFP's website. DHCFP will contact MetroWest Healthcare Alliance no later than Friday, June 17, 2011 and determine whether you will be required to provide oral testimony at the hearings, and if so, the time period for which you must be present. Thank you for your attention to this important and timely matter.

Sincerely,

A handwritten signature in dark ink, appearing to read "Seena Carrington". The signature is fluid and cursive, with the first name "Seena" being more prominent than the last name "Carrington".

Seena Carrington
Acting Commissioner

cc: Thomas O'Brien, Office of the Attorney General

Enclosures:

Exhibit A: Public Notice of Hearing

Exhibit B: Instructions and DHCFP Questions for Written Testimony

Exhibit C: Instructions and OAG Questions for Written Testimony



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Exhibit A

NOTICE OF PUBLIC HEARING

Pursuant to the provisions of M.G.L. c.118G, §6 ½ the Division of Health Care Finance and Policy ("Division") will hold a public hearing beginning on Monday, June 27, 2011 starting at 9:00 AM at Bunker Hill Community College, 250 New Rutherford Avenue, Boston, MA 02129, and subsequent days thereafter, including Tuesday, June 28; Wednesday, June 29; and Thursday, June 30, regarding:

HEALTH CARE PROVIDER AND PAYER COSTS AND COST TRENDS

Acting Commissioner Seena Perumal Carrington will preside over the hearing. The Division shall call as witnesses a representative sample of providers and payers, including but not limited to those specified by the statute, who shall provide testimony under oath and subject to examination and cross examination by the Division and the Attorney General, as authorized by M.G.L. c. 118G, §§ 6 and 6 ½, regarding the factors that contribute to cost growth within the Commonwealth of Massachusetts' health care system and to the relationship between provider costs and payer premium rates. The Division reserves the right to call other witnesses in furtherance of the statutory purpose of the hearings.

Testimony may include without limitation: (i) in the case of providers, testimony concerning payment systems, payer mix, cost structures, administrative and labor costs, capital and technology costs, adequacy of public payer reimbursement levels, reserve levels, utilization trends, and cost-containment strategies, the relation of private payer reimbursement levels to public payer reimbursements for similar services, efforts to improve the efficiency of the delivery system, efforts to reduce the inappropriate or duplicative use of technology; and (ii) in the case of private and public payers, testimony concerning factors underlying premium cost and rate increases, the relation of reserves to premium costs, the payer's efforts to develop benefit design and payment policies that enhance product affordability and encourage efficient use of health resources and technology, efforts by the payer to increase consumer access to health care information, and efforts by the payer to promote the standardization of administrative practices, and any other matters as determined by the Division.

On the afternoons of Monday, June 27 and Thursday, June 30, the Division will accept oral testimony from members of the public. Any person who wishes to present comments is welcome to testify on a first-come, first-served basis for five minutes, and may sign up

beginning at 9:00 AM on Monday, June 27. Any member of the public may also submit written testimony. All written testimony provided by witnesses or the public may be posted on the Division's website: <http://www.mass.gov/dhcfp/costtrends>.

Additional information regarding the hearings may be posted from time to time on the Division's website.

Exhibit B: Instructions and Questions for Written Testimony

Instructions:

On or before the close of business June 15, 2011, electronically submit written testimony signed under the pains and penalties of perjury to: costtrends@hcf.state.ma.us.

Answer all questions that apply to your organization's experience, limiting your response to no more than 500 words per each numbered question. Please begin all responses with a brief summary not to exceed 120 words. If necessary, please include supporting testimony in an Appendix.

The testimony must contain a statement that the signatory is legally authorized and empowered to represent the named organization for the purposes of this testimony, and that the testimony is signed under the pains and penalties of perjury. An electronic signature will be sufficient for this submission.

If you have any questions regarding this process or regarding the following questions, please contact: Stacey Eccleston, Assistant Commissioner for Health Research and Policy, at Stacey.Eccleston@state.ma.us or (617) 988-3276.

Questions:

1. After reviewing the preliminary reports located at www.mass.gov/dhcfp/costtrends, please provide commentary on any finding that differs from your organization's experience. Please explain the potential reasons for any differences.
2. How much have your costs increased from 2005 to 2010? (Percents by year are fine.)
 - a. Please list the top five reasons for these increases, with the most important reason first.
3. What specific actions has your organization taken to contain health care costs? Please also describe what, if any, impact these strategies have had on health care costs, service quality, and patient outcomes. What current factors limit the ability of your organization to execute these strategies effectively?
4. What types of systemic changes would be most helpful in reducing costs without sacrificing quality and consumer access? What systemic actions do you think are necessary to mitigate health insurance premium growth in Massachusetts? What other systemic or policy changes do you think would encourage or help health care providers to operate more efficiently?
5. What do you think accounts for price variation across Massachusetts providers for similar health care services? What factors, if any, should be recognized in differentiated prices?
6. What policy or industry changes would you suggest to encourage treatment of routine care at less expensive, but clinically appropriate settings? (Routine care is defined here as

non-specialty care that could be provided at a community hospital or in a community setting).

7. Which quality measures do you most rely on to measure and improve your own quality of care?
8. We found that there is substantial price variation occurring for several types of health care services (although for some more than others), but that the wide variation in prices for hospital care does not appear to represent any corresponding gain in quality based on the existing quality measures that we were able to use in this analysis. Does your organization believe that price is correlated with quality? What role do you think quality should play in determining prices, and does the health care community currently collect the right types of quality measures?
9. We found that for many inpatient DRGs, a large portion of patient volume is clustered in the most expensive quartile(s) of providers. Please provide your organization's reaction to these findings.
10. What tools should be made available to consumers to make them more prudent purchasers of health care?
11. What are the advantages and disadvantages of complete price transparency (e.g., consumers being able to see what prices are paid by carriers to different providers for different services) from your organization's perspective? What about complete quality transparency?
12. Before your organization decides to acquire new service lines, capacity, or major equipment, does it consider the current capacity of nearby providers? What do you feel the state's role should be in health care resource planning (beyond or including its current Determination of Need process)?
13. How ready does your organization feel it is to join, affiliate with, or become an Accountable Care Organization (ACO)? Please explain.
 - a. Is your organization interested in joining a Medicare Shared Savings ACO, as recently outlined by the Centers for Medicare and Medicaid Services (CMS)?
 - b. If your organization doesn't feel ready to join any type of ACO, what types of supports or resources would it need to be able to join one?
14. Does your organization have any direct experience with alternative payment methods (bundled payments, global payments, etc.)? What have been the effects in terms of health care cost, service quality, and patient outcomes?
15. Please identify any additional cost drivers that you believe should be examined in subsequent years and explain your reasoning.

16. Please provide any additional comments or observations you believe will help to inform our hearing and our final recommendations.

Exhibit C: Instructions and AGO Questions for Written Testimony

Instructions

- 1) On or before the close of business June 15, 2011, electronically submit written testimony signed under the pains and penalties of perjury to: costtrends@hcf.state.ma.us.
- 2) Answer all questions that apply to your organization's experience, limiting your response to no more than 500 words per each numbered question. Please begin all questions with a brief summary not to exceed 120 words. If necessary, please include supporting testimony in an Appendix.
- 3) The testimony must contain a statement that the person who signs it is legally authorized and empowered to represent the named organization for the purposes of this testimony, and that the testimony is signed under the pains and penalties of perjury. An electronic signature will be sufficient for this submission.
- 4) If you have any questions regarding this process or regarding the following questions, please contact: Ashley Reid, Office of the Attorney General, at Ashley.Reid@state.ma.us, (617) 963-2488, or (617) 573-5386 (fax).

Questions

1. If you are reimbursed through a contract that establishes a negotiated per member per month amount against which all allowed claims costs are settled for the purposes of determining the amount of withhold returned, surplus paid, and/or deficit charged to you (regardless of whether you are "at risk" or are "upside only"), please explain and submit supporting documents that show how you quantify, analyze, and project your potential exposure to deficits and/or opportunities for surpluses.
2. Please explain and submit supporting documents that show your internal analysis of your ability to manage any risk you currently bear related to your contracts with commercial insurers, including the per member per month costs associated with bearing risk (risk management costs, staffing, reserves, and stop-loss coverage), projections of deficit scenarios, solvency standards, contingency plans in the event that you run a deficit, or any similar analysis. Please include any analysis you have conducted on how much your costs and risk-capital needs would change based on increases or decreases in risk you bear in relation to your business with commercial insurers. In addition, please explain the type of data that you currently utilize, or would like to utilize, to manage your performance under a risk budget.
3. Please explain and submit supporting documents to show the per member per month cost associated with your efforts to integrate or coordination the medical care that you provide to your patients, including but not limited to costs associated with health information technology, medical management programs, pharmacy programs, practice pattern variation analysis, referral pattern analysis, quality process and outcome measures, and other similar care coordination efforts. In addition, please explain the type of data that you currently utilize, or would like to utilize, to better

coordinate and manage the cost and quality of the care that you provide to your patients, including but not limited to claims data, health care provider price data, practice pattern variation analysis, utilization analysis, quality data, or other types of data.

4. Please describe current competitive dynamics in the Massachusetts health care provider marketplace and how those dynamics impact your organization, including but not limited to the impact on your organization of (i) differentials in rates paid by payers to providers, (ii) provider consolidation, and (iii) physician hiring trends.
5. Please explain and submit supporting documents that show whether and how you inform patients when you are reimbursed for the services that you render to them through a negotiated per member per month amount against which all allowed claims costs are settled for the purposes of determining the amount of withhold returned, surplus paid, and/or deficit charged to you (regardless of whether you are “at risk” or are “upside only”).
6. Please explain and submit supporting documents that show how you prevent underutilization of needed services and ensured that less-healthy patients are treated fairly where your organization is reimbursed through a negotiated per member per month amount against which all allowed claims costs are settled for the purposes of determining the amount of withhold returned, surplus paid, and/or deficit charged to you (regardless of whether you are “at risk” or are “upside only”).